

The estate tax was implemented early in the 20th Century as a way to break up the incredible wealth that had concentrated among a relatively small group of families. The tax has long outlived its usefulness; in fact, the amount of estate taxes collected each year doesn't even cover the cost of collection. But it lives on, penalizing people like the estate tax employees who have earned a secure future for their families over a lifetime of hard work.

"As an employee-owned company, we've had great success in building a reputation for customer service, efficient operations, and community involvement, in large part because we're the owners," Pearson says. "The federal estate tax ends up penalizing employees who've built a retirement nest egg through hard work and dedication."

The estate tax places the philosophy underlying employee ownership at risk. Hard work, after all, should have its own rewards.

Still, Hy-Vee has no doubt that its formula works best—for all concerned: its employees, certainly, but also its customers and the communities it serves. "We believe that in many ways, employee ownership represents the truest expression of the American dream," Pearson says. "It is simply unfortunate that the dream also contains a nightmare—the estate tax."

Mrs. MURRAY. Mr. President, I rise today to speak briefly about the estate tax repeal bill before the Senate.

Along with eight of my Democratic colleagues, I am a cosponsor of S. 1128, the Kyl-Kerrey repeal bill. Barring the attachment of any egregious amendments, I intend to vote for final passage of H.R. 8.

But while I am a cosponsor of S. 1128, I want to take a moment to voice my concern about the debate we have had so far.

I believe there are two policy challenges before us.

First, Congress needs to ensure the vast majority of Americans—including those who do not own family business and farm assets—do not need to worry about paying estate taxes or going through burdensome estate tax planning. Current law does a fairly good job in this area. In fact, only two percent of estates actually pay an estate tax each year.

The estate tax reform provisions we passed as part of the Taxpayer Relief Act of 1997 helped take us further in the right direction. But the prosperity we've had in the last seven years has threatened to push more people in the direction of costly estate tax planning. In the spirit of a fairer tax code, Congress needs to take additional action.

The second policy challenge we face is more complex. That challenge is to ensure the tax code does not prevent the efficient transfer of family businesses and farms to the next generation. Unfortunately, in its current form, the estate tax can be a major hurdle to the efficient transfer of family business and farm assets.

One of the arguments made for the estate tax is it deconcentrates wealth. The problem is family businesses—sometimes as the result of planning for the estate tax or paying the estate tax—have been swept up by large corporations with no ties to the commu-

nity. We need to recognize changes in the economy have also changed the debate we should be having on the estate tax.

I am a cosponsor of S. 1128 because I believe it is the only reasonable vehicle before us that addresses how we transfer family businesses and farms to the next generation. Unfortunately, estate tax repeal is extremely expensive. And at the end of the day, I am still hopeful we can find another solution to the two policy challenges I have outlined.

While I will vote to pass H.R. 8, I must express some disappointment with the estate tax debate we've had in Congress. It's as if both sides have dug in so deep with the same arguments for so long that we can't have a thoughtful debate on the merits of the issue. The black and white choice is either to repeal the "death" tax or to oppose a tax break that will only benefit America's wealthiest citizens.

My friends in the majority could be proposing estate tax reform or repeal in the context of a responsible, long-term fiscal plan. Unfortunately, they have chosen not to do so. It seems the extent of the fiscal planning our majority colleagues have done is to note there were 279 votes in the House for H.R. 8—enough to override an expected veto. I believe the American people deserve more thoughtful deliberation.

Meanwhile, many Democrats and the Administration have been slower to react to real and heartfelt concerns people have about the estate tax. H.R. 8 has been criticized by some of my colleagues as a bill that would simply benefit the wealthiest estates. I can tell you that I have not been contacted by the wealthiest individuals in my state. Rather, for the last seven years, I have heard from family business and farm owners who are desperate to get a tax code that effectively allows them to transfer their operations to the children and grandchildren. They want their Washington state businesses to remain Washington state businesses for many years to come.

Since I first began working on estate tax reform in 1995, my commitment has been to provide estate tax relief to small family businesses and farmers. I believe the public interest on this issue is to continue to work—as I have done the last five years—to push forward with estate tax reform. Therefore, I supported the Democratic alternative and I will support H.R. 8. It is my sincere hope we can work on a bipartisan basis to craft a compromise that President Clinton will sign before the end of the year. And I hope the compromise will include estate tax relief for small businesses and farms in the next ten years, which H.R. 8 does not do.

It is clear H.R. 8 will be vetoed, and likely Congress will sustain the veto. But I'm glad we had the debate. Earlier this week, when we appeared deadlocked on the estate tax bill, I initiated a letter signed by all nine of the Democratic cosponsors of S. 1128. The letter urged the majority leader to allow a

reasonable number of Democratic amendments on the estate tax bill.

Following my letter, I was pleased we were able to move forward with a unanimous consent agreement to consider the estate tax bill. After this debate, I hope we can move forward to consider the other pressing business before us, including passage of permanent normal trade relations for China.

#### CARRYOVER BASIS PROVISIONS

Mr. FEINGOLD. Mr. President, the Senator from California inquired of me about the intent of the amendment with regard to the carryover basis. Let me assure the Senator from California that it is the intent of the sponsors that for estates over \$100 million in size the carryover basis provisions would not apply. Those estates would be able to benefit from the stepped-up basis provisions of current law. To the extent that my amendment is unclear on this matter, I would fight for changes in Conference that would make that entirely clear.

Mrs. FEINSTEIN. Mr. President, I thank the Senator from Wisconsin for his clarification. The point he makes is essential to me. If I had not had the understanding with regard to the carryover basis that he has just indicated, I would not have supported the amendment.

• Mr. DASCHLE. Mr. President, we have worked hard over the last 7 years to restore strength to our Nation's economy. We have turned record deficits into record surpluses. Today, we are about to make a decision none of us could have imagined making in 1993. The question facing us is: How should we spend the first significant portion of the surplus?

Our Republican colleagues believe we should use the first major portion of the surplus to eliminate a tax that is paid by only the wealthiest 2 percent of Americans. They say the first, best use of the surplus is to give people with estates worth more than \$20 million a \$10.5 million tax break.

The cost of their plan is \$105 billion for the first 10 years. In the second 10 years, the cost balloons to \$750 billion. Three-quarters of a trillion dollars in the second 10 years alone—to eliminate a tax paid only by the wealthiest 2 percent of Americans. The full cost of the Republican estate tax cut would hit at the worst possible time: just as the baby boomers are starting to retire. That is our Republican colleagues' highest priority for the surplus: to help those who are already benefitting most from this economy.

Democrats disagree. We support cutting the estate tax. We voted in 1997 to do just that.

Today we are offering a plan to cut estate taxes even further. But our plan is different—in three very important ways—from the Republican plan.

First, our plan helps family farmers and ranchers, and small-business owners, immediately.

The Republican plan does not remove one family-owned farm or ranch or